

Weekly Crypto Market Wrap

26th June 2023



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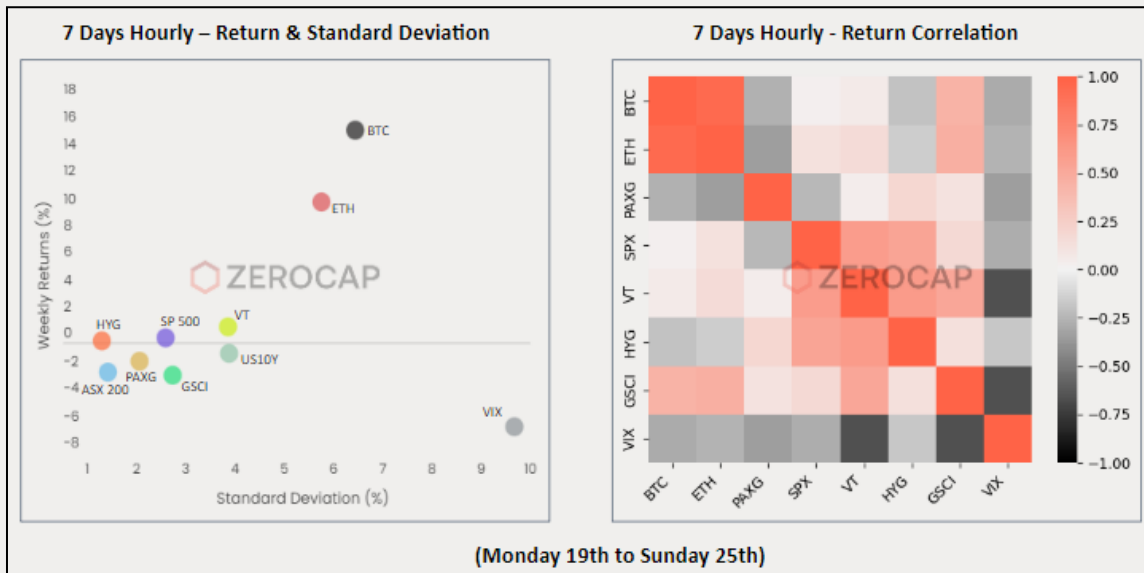
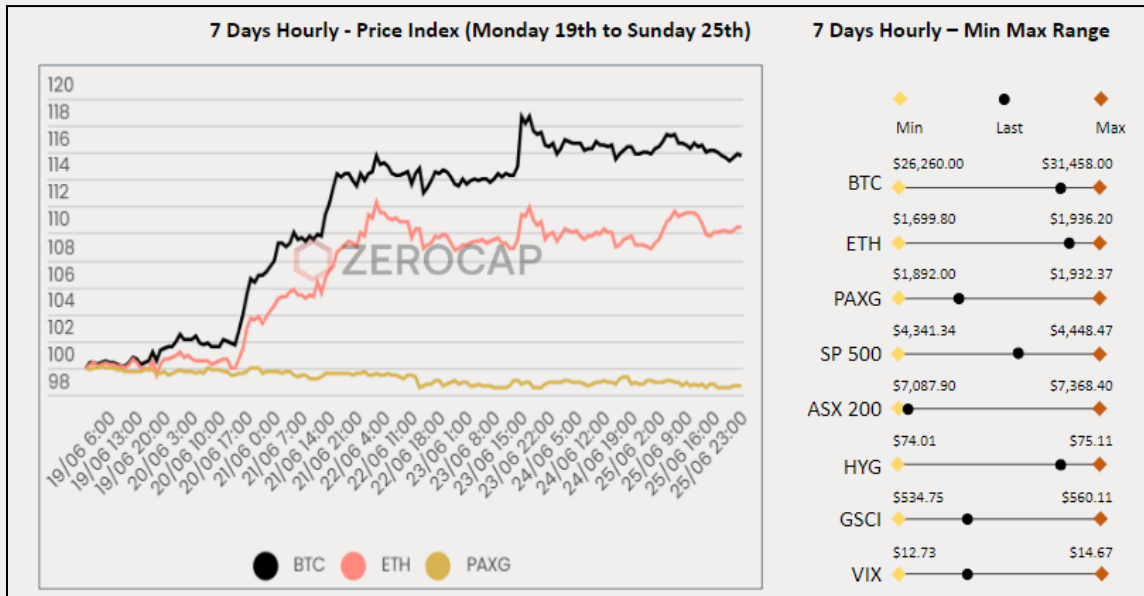
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Week in Review

- Bitcoin reaches [50% crypto market dominance](#) for the first time in two years.
- FED Chair [Jerome Powell](#) recognises stablecoins as “a form of money,” promotes federal role for the digital payment asset class - [remains hawkish](#) on inflation during his two semi-annual testimony sessions.
- Coinbase [criticises the SEC](#) for “no straight answers” following court orders.
- JPMorgan deploys [JPM Coin](#) for euro-based blockchain payments.
- Amid regulatory debates, [SEC approves](#) first leveraged Bitcoin futures ETF.
- Terra (LUNA) founder [Do Kwon](#) gets 4 months in prison for fake passport.
- IMF releases report on [rise of LATAM crypto interest](#), argues well-designed CBDCs can “lower remittance’ costs and improve financial inclusion”.
- Cameron Winklevoss states the [“great accumulation of Bitcoin”](#) has begun.
- Following Netherlands shutdown, [Belgium](#) orders Binance to cease all virtual currency services.
- FTX administration sues [ex-Clinton’s aide firm](#) for \$700 million connected to Sam Bankman-Fried’s celebrity and business connections.
- Etherscan launches [AI-powered](#) code reader.
- US Secretary of State Blinken [visits Xi Jinping](#), calls for stable ties without progress on issues including restoring direct military contacts.
- UK inflation [exceeds expectations](#), puts pressure on Bank of England.
- [Wagner Group](#) halts its march to Moscow following military revolt.

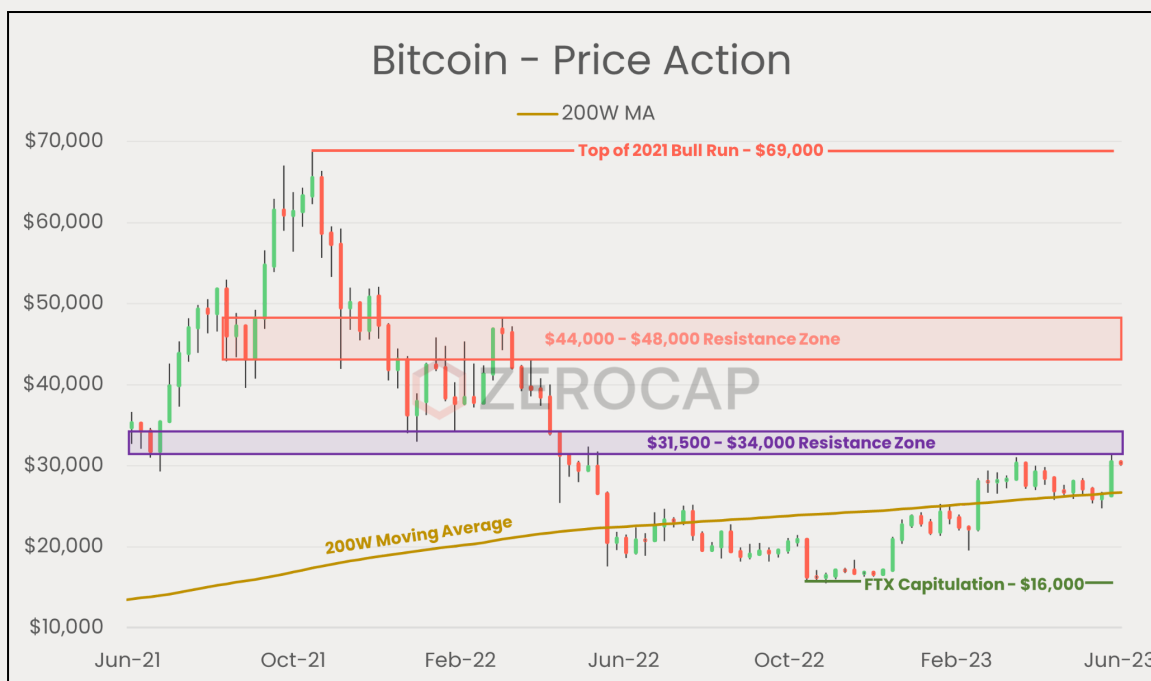
Winners & Losers



Data source: TradingView

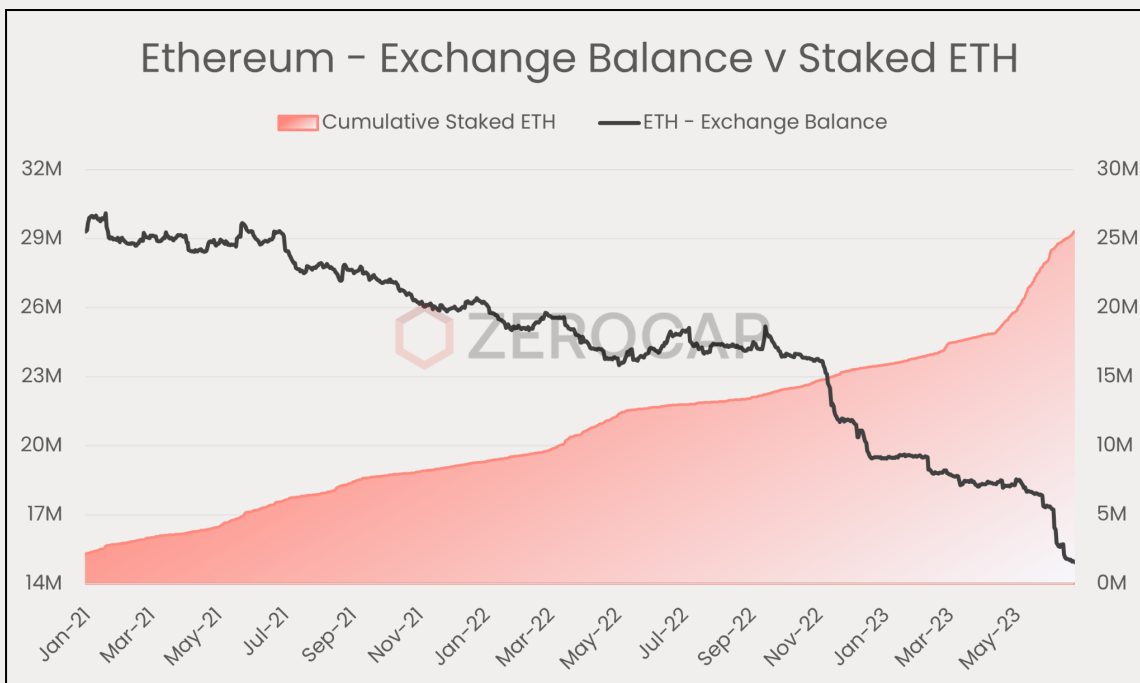
Market Highlights

- Last week, we discussed the detrimental effect that various headlines had on risk sentiment and overall market performance year-to-date (YTD). Despite these challenges, Bitcoin (BTC) has displayed remarkable resilience in the face of negative news. Adding fuel to the fire, last week, the world's largest asset manager, BlackRock (\$10 trillion AUM), applied for a spot exchange-traded fund (ETF), bolstering market sentiment. This week, news flow regarding Citadel, Schwab, and Fidelity's launch of a new exchange called "EDX" added to the growing buoyancy. Furthermore, Federal Reserve Chairman Jerome Powell's affirmation that "crypto is here to stay" further propelled BTC to reach new year-to-date highs above \$31,000. It is worth noting that BTC experienced a notable rally of 15%, while Ethereum (ETH) saw a significant increase of 10% WoW. In contrast, the Nasdaq Composite Index recorded a 1.3% decline this week. These recent developments signify a potential shift in market dynamics, as institutional involvement and positive waves of sentiment drive action higher independent of broader market moves.
- Although BTC's upward movement is encouraging, it is essential to acknowledge the significant technical resistance zones that lie ahead. In the event of a higher move, bulls will encounter immediate resistance in the range of 32,000 to 33,000. However, surpassing this zone would open a clear path toward the mid-40s. It is worth noting that the 200-week moving average appears to be forming a short-term support level on the downside, which adds a positive element to the current market dynamics.



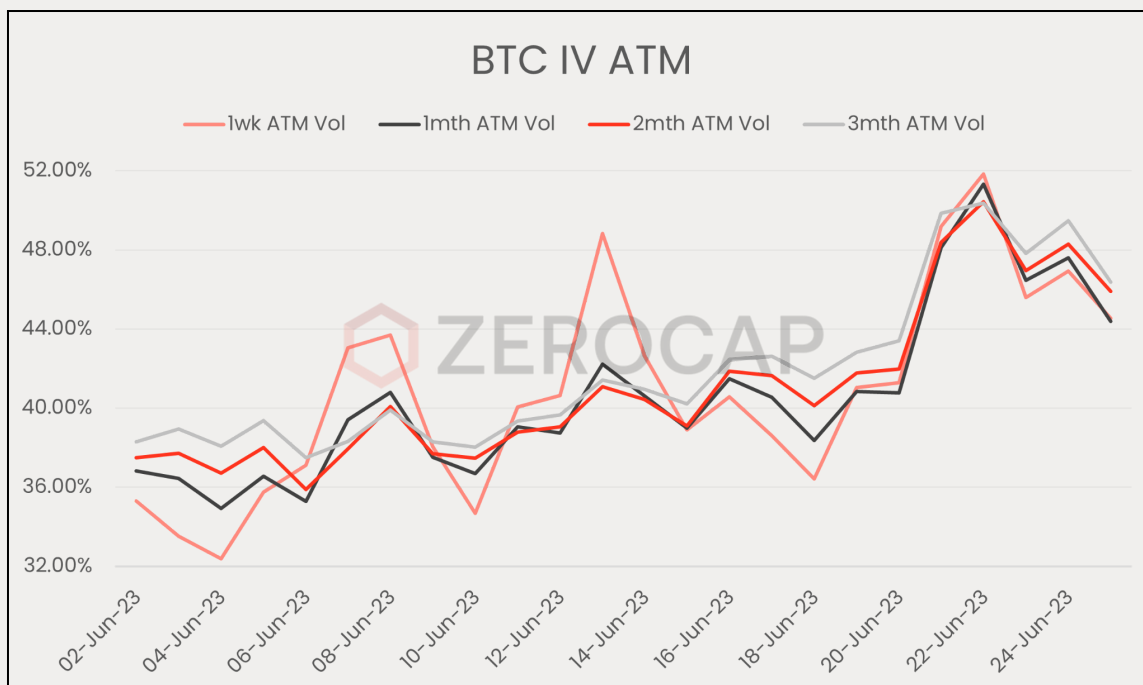
Data source: Tradingview

- The balance of Ethereum on exchanges has reached its lowest level since July 2016. While regulatory ambiguity may be contributing to the flow from centralised exchanges, there is a concurrent increase in the cumulative amount of Ethereum being staked. It is worth noting that despite Ethereum's growing network participation, Bitcoin has consistently led the price action and outperformed since the beginning of the year. We've previously noted that this is likely due to BTC's safe-haven characteristics and the ongoing regulatory and macroeconomic uncertainties. A continuation of positive sentiment has the potential to shift market dynamics, with Ethereum leading the cryptocurrency market into the year-end. However, as liquidity on exchanges continues to decrease, we can anticipate an increase in market volatility. The evolving relationship between these two leading cryptocurrencies adds an interesting aspect to the broader market landscape.



Data source: TradingView

- Following a positive week further buoyed by increasing institutional involvement, Bitcoin's implied volatility (IV) experienced a surging early-week rally, particularly among the short-term expiries. We continue to observe a pronounced correlation between the spot price and IV, with a breach of the 31,000 mark likely to stimulate a rise in IV in the back-month expiries, which have remained relatively subdued for several months now. With the curve flipping into backwardation and elevated in the front end, some early week vol-buyers were notably taking profits, resulting in a flattening of the front end toward the end of the week. With equity volatility at yearly lows, for BTC IV the 31k handle is important to break above if we are going to continue to see a higher vol regime.



Data source: Deribit

- Over the weekend, we observed some intriguing on-chain activity that appeared to precipitate strong rallies in altcoins, particularly \$AAVE and \$COMP. The on-chain dynamics revealed larger wallets moving AAVE out of Binance and into separate wallets, seemingly amassing approximately 256k AAVE (valued at \$17.7M at that time) during the price surge. This behaviour was similarly reflected across multiple wallets during this period. As Bitcoin's dominance has only increased throughout 2023, it seems some are capitalising on the broader underperformance of altcoins to allocate to some 'blue-chip' stalwarts.



Data source: Spot On Chain - Twitter

What to Watch

- Australian and Canadian CPI, US Consumer Confidence on Tuesday.
- BoE, BoJ and FED chairs speak at the ECB Conference on Wednesday.
- US' final quarter GDP report, on Thursday.
- US' PCE Price Index, on Friday.

Research Lab

- [How to Scale Blockchains:](#)

Immerse yourself in blockchain scalability with Nathan Lenga's latest piece. Understand the limitations of Bitcoin and Ethereum's transaction processing capacity, the trade-offs of Layer 1 and Layer 2 solutions, the potential of sharding, sidechains, and Directed Acyclic Graphs (DAGs).

- [Designing Marketplaces for User Safety: The Auction Theory:](#)

Embark in the multifaceted world of Auction Theory with Nathan Lenga and Beau Chaseling as they illuminate how auction systems shape bidder and seller behaviours, the role of game theory, the challenges in auction mechanism design, and the use of auctions in DeFi ecosystems.

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* Index used:

Bitcoin	Ethereum	Gold	Equities	High Yield Corporate Bonds	Commodities	Treasury Yields
BTC	ETH	PAXG	S&P 500, ASX 200, VT	HYG	SPGSCI	U.S. 10Y

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